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28th Annual Report

ACIR: THE YEAR IN REVIEW

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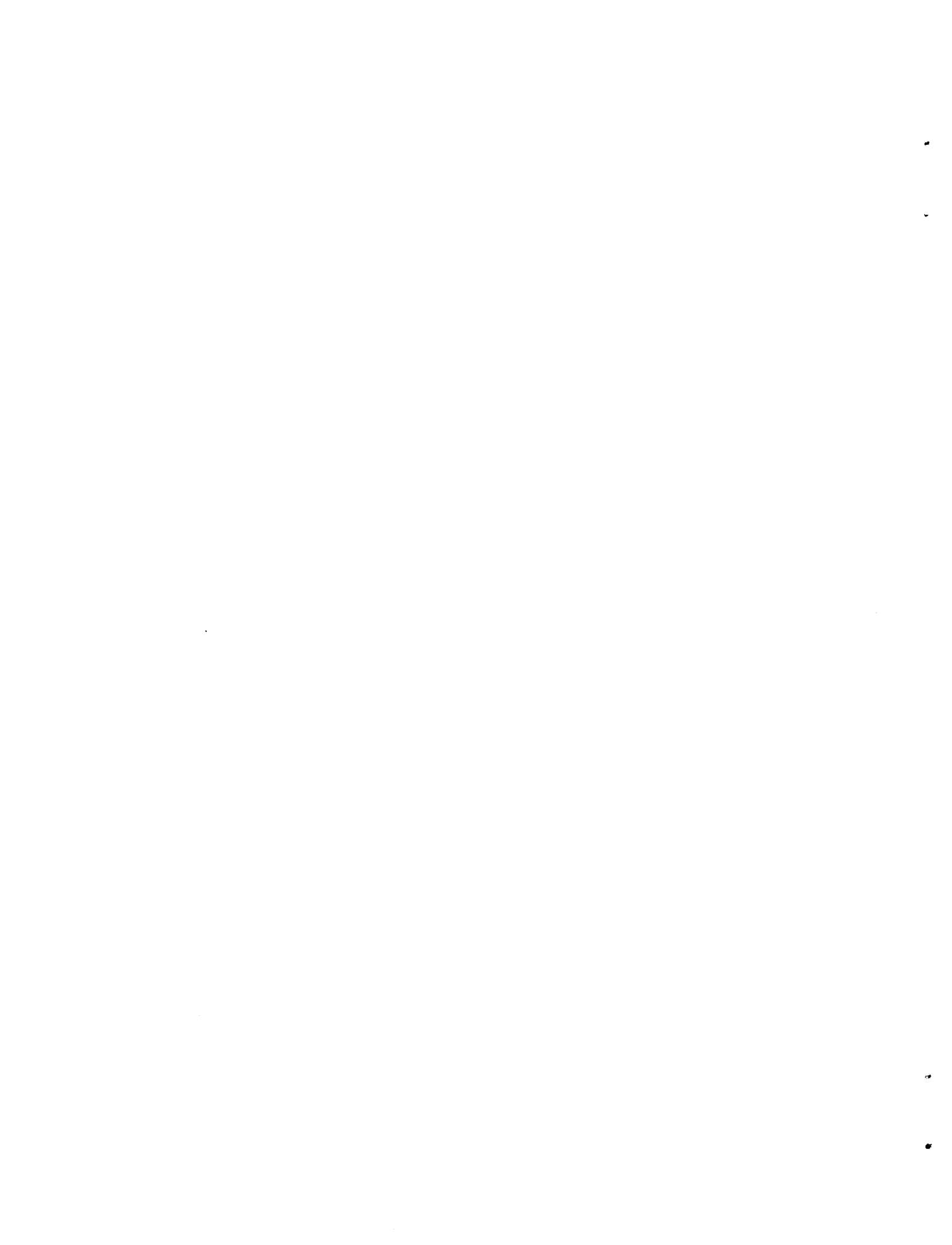
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Advisory  
Commission on  
Intergovernmental  
 Relations  
Washington, D.C.



28th Annual Report

ACIR: THE YEAR IN REVIEW



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In recent years, the Advisory Commission on Intergovernmental Relations has referred to the trend in federal-state-local relations as being "De Facto New Federalism." Even in the absence of coordinated legislative packages, the reality of fiscal constraints at the federal level is causing a devolving of responsibilities to states and localities. Both substantively and symbolically, 1986 can be considered the year this process came to a head. Research and analysis by the Commission endeavored to monitor the changes in intergovernmental relations so that policymakers can make informed decisions in a new era of federalism.

#### OVERVIEW

Two fiscal events marked the significance of 1986 in the evolution of intergovernmental relations: (a) the termination of General Revenue Sharing; and (b) tax reform. The former signaled a final recognition that the federal government is no longer omnipotent in revenue raising ability; and the latter is likely to heighten interstate tax competition, along with curtailing state and local borrowing ability.

In the 1960s, ACIR was in the forefront of the call to enact revenue sharing. Our recommendation stemmed principally from a desire to foster a more efficient and equitable federal revenue system. Some economists, however, had a broader reason for supporting the concept. They foresaw that the federal income tax was soon going to be generating revenues at such a rate that the national treasury would amass huge surpluses, and

thus impede economic growth. Revenue sharing was seen as a way of both keeping the economy moving, and enhancing the effectiveness of fiscally strapped states and localities.

That the federal government never approached running huge surpluses is cause for some nostalgic amusement. But the shift in fiscal fortunes is remarkable. Most states and localities today are in relatively good financial health at the same time that the federal government is deficit ridden. The demise of revenue sharing to the states in 1978 and to localities in 1986 (some had come to dub it "deficit sharing") puts a signature on the passing of an era in American federalism.

While not extensively debated in an intergovernmental context (except for the issue of deductibility of state and local taxes), the major tax reform enacted in 1986 is going to force state and local revenue systems to sail some uncharted waters. The new code, of course, does eliminate the deductibility of sales taxes, and it remains to be seen whether this will cause states to re-examine their own taxes. Perhaps more important is the simple fact that lowering the marginal federal rates diminishes the value of deductibility of state and local income and property taxes. (For top income earners it is down not just from 50%, but from 70% prior to 1981.) It can be expected that this will heighten interstate tax competition as there will be added incentive for wealthier taxpayers to move to lower tax jurisdictions. And because the base broadening in the new legislation would give a "windfall" to 33 states, assuming they make



no offsetting adjustments in their own tax codes, the issue of tax competition already is being joined in the state legislatures.

Another important change in the new tax code is the curtailment of the use of tax exempt bonds for certain purposes. States, and especially local governments, are thus going to find it more difficult, and/or more expensive to borrow.

Reports published by the Commission in 1986 reflected these changes in fiscal responsibilities and capabilities, as well as other aspects of the evolution in federalism. Of particular significance were our state-by-state estimates of the effects of tax reform on state personal income tax liabilities, a study on the agricultural recession's impact on the finances of rural state and local governments, our continuing research on measuring state fiscal capacity, a report on a Commission recommendation that Congress enact legislation enabling state and local governments to collect sales taxes on interstate mail order sales, and our 15th annual poll of public attitudes on governments and taxes.

Other reports dealing with evolutions in federalism included a Commission recommendation on devolving federal programs and tax sources to state and local governments, a study on the implications for federalism of the transformation in American politics, an analysis of the Supreme Court's Garcia decision, a look at emerging issues in American federalism, and a review of the controversy concerning the federal courts and federalism.

The Commission held ten hearings on welfare reform -- three as part of a research project on the issue, and seven at the request of the Domestic Policy Council. It also held a symposium on the Garcia decision.

As in past years, ACIR continued to promote the concept of state-local relations bodies in the states, and maintained its network of communications among these bodies in the 25 states where they exist.

Included in the current research agenda are studies on welfare reform, further analysis of tax reform's effect on state personal income tax revenues, fiscal discipline mechanisms used by the states, the role of local government in the federal system, analysis of intergovernmental aid formulas, and the possibility of the turnback of highway programs and funding mechanisms to the states. In general, the Commission is completing a cycle in its research activities, and is in the process of adopting a new agenda for the next two to three years.

This progress report for 1986 explains the Commission's approach to its operating procedures, its research program, publications, and other activities. Personnel and budget data are presented in Appendices B, C, and D. Appendix A lists members of the Commission on December 31, 1986.

#### OPERATING PROCEDURES

ACIR is a 26-member national, bipartisan body established by Congress in 1959 to monitor the intergovernmental system and make recommendations to improve it. Because the Commission represents the executive and

legislative branches of all three levels of government, as well as the general public, and because of its status as a permanent, independent commission, it can encourage changes on a consistent and long-term basis.

The work of the Commission flows through three stages: staff research undertaken at the direction of the Commission, policymaking by the Commission and communication of that policy to parties in a position to implement it.

The Commission determines its own agenda, basing its choices on the members' wide-ranging experiences, observations, and contacts, as well as on staff evaluations of the alternative proposals. Once a topic is chosen, the staff gathers information by a variety of methods including: reviewing the literature, holding hearings, conducting special surveys, and undertaking field studies.

To assure that all relevant aspects of each subject are reflected in the findings and background sections of a report, the staff conducts "thinkers' sessions" at the beginning of a research project to help define the project's scope and approach. "Critics sessions" are scheduled near the completion of a project to minimize errors of omission or bias in the draft prepared for Commission consideration. Participants in these sessions usually include congressional staff members, representatives of appropriate government agencies, public interest groups' spokespersons, members of the academic community, specialists in the substantive area of the report, and representatives of relevant civic, labor, research, and business organizations.

Background information and findings are presented to the Commission along with an appropriate range of alternative policy options. The Commission debates the report at a public meeting and votes on policy recommendations. Subsequently, the report is published and disseminated.

#### PUBLICATIONS

During 1986, the Commission published 13 reports and two issues of Intergovernmental Perspective. Three of the reports contained policy recommendations:

State and Local Taxation of Out-of-State Mail Order Sales. Should federal legislation be enacted to require out-of-state mail order vendors to collect a state's sales and use taxes on purchases made by citizens of that state? That is the central question addressed in this report.

Technically, a consumer currently owes a "use" tax on purchases made through the mail, payable at the same rate as his or her state's sales tax. However, if the retailer is an out-of-state firm, it is not required to collect the tax on behalf of the purchaser's home state. Few citizens are even aware that they owe a sales or use tax if it is not collected by a seller.

The Commission's recommendation for Congressional legislation to require out-of-state firms to collect sales and use taxes would have the effect of negating a 1967 Supreme Court ruling in National Bellas Hess v.

Illinois Department of Revenue. That decision held that if a mail order firm did not have "nexus" in a state (a business presence such as a retail outlet, warehouse, salesmen, offices, etc.) it was not responsible for that state's tax collections. Thus, while local retail stores -- and mail order firms such as Sears and Penneys which have nexus in virtually every state -- must collect sales taxes from all their customers, other mail order vendors need only collect taxes for the state(s) in which they are located.

In recommending legislation to negate National Bellas Hess, the Commission sought to strike a balance between the need to shield out-of-state mail order firms from undue compliance costs imposed by state/local sales tax authorities and the need to prevent the erosion of the state/local revenue systems. It thus recommended that firms with gross sales of less than \$12.5 million be exempted. Even with this "de minimis rule," ACIR estimated that state revenues would have increased by \$1 billion had such legislation been in effect in 1985.

The report examines the arguments from the prospective of both the states and the business community. It addresses the problems related to enforcing sales and use tax collection, and contains estimates of lost state revenues and compliance costs. Also included is the dissent of the five commissioners who voted against the recommendation.

The Transformation in American Politics: Implications for Federalism.

This Commission report examines the transformation of political party

structures and analyzes their effects on intergovernmental relations. Of special interest are sections tracing the evolution and influence of national, state and local party organizations; the role of the media; campaign finance and the growth of political action committees; and the influence of special interest groups on party policies and procedures.

Recommendations address five policy areas: enacting new and modifying existing state laws affecting political parties' roles in nominations and elections; reforming state regulation of party organizational structures, composition and procedures; changing the status of state and local parties under the Federal Election Campaign Act; assuring political party access to the media; and the role of cable television in community affairs. An "In Brief" report also was published highlighting the major findings and recommendations of the research.

Devolving Federal Program Responsibilities and Revenue Sources to State and Local Governments. Noting that decentralization is an enduring value in the American system of government, the Commission recommended that consideration be given to turning back selected federal government programs to states and localities, along with tax sources to finance them.

A turnback package is defined as legislation that would simultaneously repeal federal aid programs and relinquish tax bases (such as excises on alcohol, tobacco and gasoline). States would then be in a position to

levy these taxes and use the revenue to fund the programs at the state and local levels.

The Commission did not recommend any specific turnback legislation. However, included in the report are three possible turnback packages. The three turnback options involve \$10 billion, \$18 billion, and \$21 billion in programmatic authority, and would replace 98%, 84% and 88% of the excise tax revenues respectively. The Commission also adopted a national interest test that lays out criteria for determining which program should remain at the national level and which should be devolved to the states.

Information reports issued during 1986 were:

Reflections on Garcia and Its Implications for Federalism. This report is an effort to explore the broad context of the Supreme Court's decision in Garcia v. San Antonio Metropolitan Transit Authority.

The ACIR staff analysis suggests the following interpretation of the present situation: (1) that the decision of the Court in Garcia may be reasonably correct in its construction of what the Constitution today requires; (2) that this construction is nevertheless inconsistent with the preservation of federalism; and (3) there emerges, therefore, a basic contradiction between (a) the common belief that the Constitution establishes a federal system and (b) the result produced by well-established conventions of constitutional law.

The report concludes by suggesting both a range of possible state responses to Garcia and a variety of approaches to constitutional reform by means of the amendment process.

The Condition of American Federalism. To help commemorate its 25th Anniversary, ACIR conducted a series of nationwide hearings during 1984 to examine changes in the federal system, with special emphasis on state-local relations. In all, over 50 elected and appointed officials and representatives from national public interest groups presented testimony. A summary of those hearings was published in 1986.

The first two hearings focused on public finance and tax issues, and government reform. The last three hearings focused on the status of state-local relations and the condition of the intergovernmental system. Lists of speakers, topics, dates and locales are presented in each summary hearing.

There was widespread agreement among the participants in two major areas. The balance of power in the federal system is shifting and will continue to do so. Almost unanimously, it was held that the mounting federal deficit spelled an end to the politics of intergovernmental fiscal expansion at the national level. This situation marks a major reversal in the relative fiscal health of the partners in the American federal system.

Taken separately, the summaries provide a clear understanding of the effect the shift in power and responsibilities is having on each level of government, the problems government officials at all levels are faced



with, what they are doing about them, and how they plan to generate revenue and provide services. As a whole, The Condition of American Federalism focuses on fiscal forces, economic development strategies, and shifts in intergovernmental relationships which likely will be key factors affecting federalism for the remainder of this decade and beyond.

A Framework for Studying the Controversy Concerning the Federal Courts and Federalism. This report serves as a blueprint outlining the scope, direction and issues which require consideration in studying federal court involvement in state affairs.

The report begins by examining federalism in an historical context. It includes a summary of the arguments between the federalists and anti-federalists regarding the division of authority. Court cases from McCulloch to Garcia are cited to illustrate how the Supreme Court has dealt with questions of state-federal jurisdiction, and how the Court arrived at its current level of involvement in restricting certain actions of state governments and prescribing certain standards to which they must adhere. The report also focuses on the various means by which the Court has expanded the content and meaning of individual rights.

A concluding section identifies a set of central research questions designed to organize empirical studies of federal court involvement in several policy areas.

The Agricultural Recession: Its Impact on the Finances of State and Local Governments. This staff information report was completed in response

to a request from Senator David Durenberger (MN) to assist the Senate Subcommittee on Intergovernmental Relations in its study of the effects of the farm crisis on state and local governments. Although the agricultural recession's effects on individual farmers and their communities has been widely reported, little attention has been paid to its effects on the financial health of state and local governments. This report focuses on a sample of ten farm-dependent states in the North Central, Plains and South regions. It identifies indicators of state government fiscal stress, and local government fiscal stress. Data sources included in the report include values of farm land, property tax rates, state and local government revenue systems, trends in service delivery, and indicators of general economic conditions.

Preliminary Estimates of the Effect of the 1986 Federal Tax Reform Act on State Personal Income Tax Liabilities. As part of a larger study on the fiscal effects of federal tax reform on state and local governments, the Advisory Commission has analyzed the impact of the Tax Reform Act of 1986 on state personal income tax liabilities. Since many state income tax codes conform or "couple" in some way to the federal income tax structure, reform of the federal system has the potential of directly affecting state income tax liabilities. Preliminary results were published in this report, and have been extensively referenced by state and local officials, and quoted in the media.

Significant Features of Fiscal Federalism, 1985-86 Edition. During the past 27 years, ACIR has analyzed a large body of information pertaining to federal, state and local fiscal relations. This annual report, one of ACIR's most popular publications, presents updated information on federal, state and local revenues, expenditures, tax rates, employment, earnings, and selected additional topics. These data are helpful to anyone analyzing the 50 state-local fiscal systems and that of the national government.

Section I presents historical and state-by-state information on specific public finance topics. It is organized to highlight historical trends and regional comparisons. Section II -- a new addition in 1986 -- contains rankings of specific state-local revenue and expenditure items. Section III is organized to aid in detailed analyses of public finance statistics for each state. It also contains data on local government subunits within each state, aggregated at the state level for the particular type of government.

Measuring State Fiscal Capacity: Alternative Methods and Their Uses. In 1962, the Commission developed the RTS (Representative Tax System) as a means of measuring the tax base, or "tax capacity" of each state. This method of measuring tax capacity examines the ability of the states to raise revenues by applying a uniform set of tax rates to some 26 tax bases including, for example, sales, personal income, and corporate income. Thus, tax capacity would comprise the amount of revenue that each state would realize if a uniform set of rates was applied nationally.

RTS makes it possible to measure "tax effort," or a state's actual tax revenues in relation to its hypothetical tax capacity. In essence, the report endeavors to answer the question: What would be the total revenue and relative rankings of each of the 50 states if every state applied identical tax rates to a number of commonly used taxes?

In the past year, research on fiscal capacity done by the U.S. Department of the Treasury pointed to alternative measurement methods based on the Gross State Product and total personal income of the states. Estimates based on these alternative methods are also provided in this report, together with explanations of their theoretical rationales and uses. The publication of Gross State Product (GSP) estimates should be of interest in its own right, as currently no public or private agency provides estimates of GSP on a routine basis.

As in past editions, the report gives graphic representations of state-by-state indices of tax capacity and tax effort based on the RTS method, showing trends since 1975 for each state and breakdowns on capacity and revenues for seven major categories of state and local taxes. Data in this edition (published in September) are for 1984. In April, the Commission published the report containing 1983 data.

Changing Public Attitudes on Governments and Taxes. This publication presents the 15th annual survey of public attitudes toward government and taxes conducted for the Commission. The Gallup Organization has conducted the polls since 1983 using the Gallup Personal Omnibus.

The 1986 publication presents both the current results and cumulative record since 1982. It contains an appendix which lists all the questions which have been asked since 1972 and the tables in which detailed data on responses can be found.

#### MICROCOMPUTER DISKETTE SERIES

In 1986 the Commission made available on microcomputer diskettes two separate data series: state-local finances, and city-county fiscal data. A third series on state fiscal capacity/tax effort will be available in 1987. The diskettes will operate on any IBM or compatible microcomputer, and are designed primarily for use with Lotus 1-2-3 and Symphony software. Detailed documentation is included for all three series.

- ° State-Local Government Finance. This series contains finance data for 70 expenditure and 66 revenue classifications, population data, and personal income data for all 50 states and Washington, DC. The data are drawn from tapes provided by the Bureau of the Census and can display state government data (aggregated at the state level), or data for state and local governments combined.
- ° City-County Finance. This series contains data for virtually all cities over 25,000 and all counties over 50,000 population. Data are provided for population, 62 types of general revenue, 30 types of general expenditures, four categories of government debt, 14 revenue and expenditure categories of locally operated government

utilities, and seven categories of local retirement system finances. There are 12 regions (25 diskettes) in the complete national series. They are drawn from Census tapes.

- ° State Fiscal Capacity/Tax Effort. To be available in 1987, this series will build upon ACIR's pioneering work in the area of monitoring and analyzing state economic indicators. Included will be 30 of the most common tax bases utilized by state governments. The data base will include the dollar size of the tax base, state-local tax collections, the statutory tax rate, and the effective tax rate. In time series, summary indices will be included for tax capacity and tax effort (the representative revenue system), per capita personal income, personal income adjusted for a state's ability to "export" taxes, gross state product, and total taxable resources.

#### THE RESEARCH PROGRAM

Members of the Commission unanimously adopted an ambitious three-year research program at their March 1985 meeting. Based on recommendations of a special subcommittee chaired by Pennsylvania Governor Dick Thornburgh, the agenda encompasses a broad range of intergovernmental issues, with special thematic emphasis on state-local relations, and the basic concepts of local governance and federalism. Most of the items in this research cycle will be completed in 1987, and the Commission will adopt a new

long-range agenda. Commissioner Daniel J. Elazar will chair the subcommittee to make recommendations for new research projects.

Research projects in progress during 1986 and 1987 include:

- ° Federal preemption. State and local officials frequently have complained that the involvement of the national government in new areas of activity often has had the effect -- and frequently the intent as well -- of preempting state-local discretionary authority. The focus of this study is on regulation of the private sector and encompasses three areas: where the federal government totally has excluded the states from regulating in a particular area; where federal and state governments have separate and distinct spheres of authority carved out within a given field; and where the federal government guarantees certain absolute or minimum standards, but encourages or compels the states to act as agents or partners to enforce or implement the same or similar standards.
- ° Rethinking local self-government. This broadly-defined project seeks to establish a framework to consider the potentials, capabilities, and limitations of local governments and local self-governance. Despite declining intergovernmental support and the pressures on local tax bases, citizens' service demands have not abated, leading to calls for more local initiative and self-help. Viewing localities as "limited political economies" emphasizes both their capabilities and their limitations, and the research will assess whether this

perspective can help explore certain local problems of inter-governmental significance. The project, for example, endeavors to explore local actions aimed at economic development and stabilization, long considered the province of the national government.

- ° Alternative approaches to providing local public services. Another broad topic relating to local government and local self-reliance, this research studies the use of innovative means of local service financing and delivery, such as levying user charges and private sector contracting. It seeks to build upon the Commission's earlier work in the area of interlocal service arrangements, and to examine the role of intergovernmental regulations in the implementation of these arrangements.
- ° Reform of means-tested welfare programs. There are over 70 federal grant programs with benefits conditioned on income. Many of the programs are controversial and difficult to administer. This research considers ways to achieve a more efficient welfare system, recognizing past resistance to comprehensive change and the inter-governmental character of existing financing arrangements.
- ° Intergovernmental aid formulas. An examination of intergovernmental grant formulas is particularly timely in a period when federal grants are shrinking and communities are turning more and more to their state legislatures for aid. This project examines existing and alternative grant formulas, and seeks to suggest how allocation formulas can best achieve program goals.



- ° Fiscal discipline. At a time of historically large federal budget deficits, it is useful to compare state and local budgetary controls with those at the federal level. For example, all states but one (Vermont) are prohibited from running a deficit, either by constitution or statute. Moreover, most governors have the power to veto line items in budget bills. What causes federal deficits? Can those instruments of fiscal discipline that constrain state-local taxing and spending be applied at the national level? A comprehensive view of the instruments, circumstances and even the philosophies of government associated with fiscal discipline may cast a new light on the federal deficit problem.
- ° Federal income tax reform. As noted earlier, the Commission published preliminary state-by-state estimates of tax reform's effect on state personal income taxes. The Commission will refine these estimates and continue to monitor developments in 1987.
- ° Judicial federalism. Having issued A Framework for Studying the Controversy Concerning the Federal Courts and Federalism in 1986, the Commission will issue a report in 1987 on the theories of the role of the judiciary in the federal system.

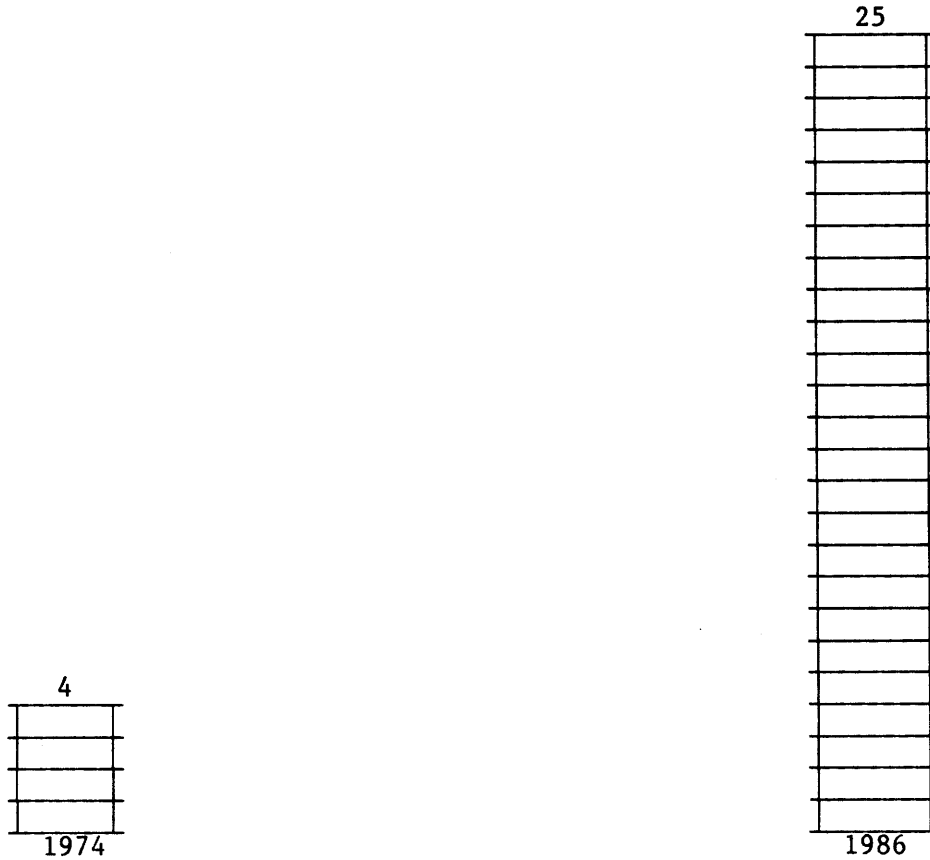
OTHER ACTIVITIES

Communications. Bringing ACIR recommendations to the attention of appropriate parties encompasses a broad spectrum of activities: disseminating reports, responding to requests for information and assistance, monitoring current events, offering testimony before legislative committees and study commissions, press releases, and working with policymakers in specific jurisdictions. Commissioners and staff also participated in meetings of state and local associations and professional organizations. In most instances, ACIR representatives made presentations and served as resource persons. In addition, staff members visited a number of states to confer with policymakers on issues and developments of mutual interest. This "networking" is an effective means of informing officials -- particularly newly elected or appointed ones -- of ACIR and its work. ACIR and its work are quoted regularly in the mass media and specialized journals. During 1986, ACIR received mention in over 500 newspaper articles.

State ACIRs. Interest in state-level ACIRs and comparable agencies continued to grow during the year. When the Commission recommended that states establish these counterpart agencies 13 years ago, there were only four state ACIRs in operation. By 1986, 25 states had an intergovernmental counterpart agency, 17 of which are patterned after the national ACIR model. (See table on page 21.) Nearly a dozen more states had a state ACIR proposal under consideration.

A Promising Trend - The Growing Number of State  
ACIR Counterpart Agencies

1974 - 1986



\*Connecticut  
\*Florida  
Illinois  
\*Iowa  
\*Louisiana  
Maine

Maryland  
\*Massachusetts  
Michigan  
\*Minnesota  
\*Missouri  
\*New Jersey

New Mexico  
New York  
\*North Carolina  
\*Ohio  
\*Oklahoma  
\*Pennsylvania

\*South Carolina  
South Dakota  
\*Tennessee  
\*Texas  
\*Vermont  
Virginia  
\*Washington

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\*National ACIR model

As the interest in state ACIRs and similar agencies has increased, so have the partnership and network grown between and among the state panels and the national ACIR. In 1983, ACIR sponsored the first national meeting of the state-level advisory groups in Charleston, South Carolina. In response to the success of that session, a subsequent meetings were held in Phoenix, Arizona in 1984, and in Washington, D.C. in 1985 and 1986.

These gatherings provide opportunities for the states and the national ACIR to exchange information and ideas, and to discuss current work programs. In addition to the national meetings, several other steps have been taken to develop stronger working relationships with the state panels. For example, the "Intergovernmental Focus" feature of Intergovernmental Perspective now highlights the work of one of the state agencies as a regular feature. In 1986, the Commission also unanimously approved several other actions to broaden the state network and develop even stronger ties, including:

- ° continue staff efforts to promote the creation of new ACIRs and to strengthen existing agencies;
- ° explore the feasibility of sharing data, technical and other resources;
- ° identify specific areas where the states and the national ACIR might undertake joint research and information projects and publishing activities;
- ° work with other organizations, such as the State-Local

Task Force of the National Conference of State Legislatures, which are working to improve state-local relations; and

- ° authorize staff to pursue outside funding opportunities to support the expanding state ACIR network.

The Commission also authorized the publication of an information report based on the proceedings of the tort reform and liability insurance panel discussions at the spring state ACIRs conference, and the first joint information project on the topic of state mandates. The state mandates report will be presented to the Commission in 1987.

Welfare Reform Hearings. Since its inception, the Advisory Commission on Intergovernmental Relations has monitored the welfare delivery system, focusing its studies on the intergovernmental structure and fiscal relationships of the various programs. As part of the research agenda adopted in March 1985 the Commission decided to go beyond these interests and look at the problems of welfare in general, so as to better understand how the integral parts of the intergovernmental system fit into it.

As part of this study, ACIR began holding hearings at which we invited experts in the field of welfare, and government officials to testify. (The dates and participants in these hearings can be found in Appendix E.) Then, in May of 1986, the Domestic Policy Council requested that we expand the hearings to include members of the general public so that the testimony could be considered as part of a welfare study the Council was preparing

for the President. The Commission voted to honor that request, and a series of seven hearings was held: Boston on July 2, San Francisco on July 14, Pittsburgh on August 4, Atlanta on August 25, Chicago on September 8, Washington, D.C. on September 11, and Denver on September 22. In total, the Commission received the testimony of 158 witnesses in the broad categories of welfare rights advocacy groups, welfare recipients, state officials, local officials and public employee unions.

The testimony from the ten hearings will be incorporated in a welfare reform study that will be considered by the Commission in 1987. In addition, we will publish a separate summary of the hearings shortly.

Symposium on the Garcia Decision. The Supreme Court's decision in Garcia v. San Antonio Metropolitan Transit Authority raised a number of profound legal and political issues which touch upon the basic parameters of our system of government. Do the constitutional rules of federalism matter? Is the constitutional design of federalism sufficient to maintain a federal system for a third century? Or is constitutional federalism an eighteenth century relic that can be conveniently discarded at judicial discretion?

On April 15, 1986, ACIR, in conjunction with the National Conference of State Legislatures, sponsored a "Symposium on Garcia and Its Implications for Federalism." It was hosted by the Workshop in Political Theory and Policy Analysis, Indiana University, Bloomington, and provided a forum

for discussion among representatives of all levels of government, leading journalists, and scholars.

A collection of five essays from the symposium will be published by the Commission.

Appendix A

December 31, 1986

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS  
WASHINGTON, D.C.

Private Citizens

Robert B. Hawkins, Jr., CHAIRMAN  
Sacramento, California (Rep.)  
James S. Dwight, Jr., Washington, D.C. (Rep.)  
Daniel J. Elazar, Philadelphia, PA (Rep.)

Members of the United States Senate

David Durenberger, Minnesota (Rep.)  
William V. Roth, Jr., Delaware (Rep.)  
James R. Sasser, Tennessee (Dem.)

Members of the U.S. House of Representatives

Sander M. Levin, Michigan (Dem.)  
Robert S. Walker, Pennsylvania (Rep.)  
Theodore S. Weiss, New York (Dem.)

Officers of the Executive Branch, Federal Government

William E. Brock, III, Secretary, U.S. Department of Labor (Rep.)  
Mitchell E. Daniels, Jr., Assistant to the President  
for Political and Governmental Affairs (Rep.)  
Edwin Meese, III, Attorney General, U.S. Department of Justice (Rep.)

Governors

John Ashcroft, Missouri (Rep.)  
John Carlin, Kansas (Dem.)  
Ted Schwinden, Montana (Dem.)  
John H. Sununu, VICE CHAIRMAN, New Hampshire (Rep.)

Mayors

Ferd Harrison, Scotland Neck, North Carolina (Dem.)  
William H. Hudnut, III, Indianapolis, Indiana (Rep.)  
Joseph P. Riley, Jr., Charleston, South Carolina (Dem.)  
Vacancy

State Legislators

John T. Bragg, Deputy Speaker, Tennessee House of Representatives (Dem.)  
Ross O. Doyen, Kansas State Senate (Rep.)  
David E. Nething, Majority Leader, North Dakota State Senate (Rep.)

Elected County Officials

Gilbert Barrett, Chairman of the Board, Dougherty County, Georgia (Dem.)  
Philip B. Elfstrom, Commissioner, Kane County, Illinois (Rep.)  
Sandra R. Smoley, Supervisor, Sacramento County, California (Rep.)



Appendix B

ACIR PERMANENT STAFF AS OF DECEMBER 31, 1986

Shannon, John (Executive Director)  
Kincaid, John (Research Director)  
Gleason, Robert R., Jr. (Director, Communications  
and Publications)

Anderson, Gary, M. (Analyst)  
Calkins, Susannah E. (Senior Analyst)  
Dominguez, Mary A. (Secretary)  
Fried, Esther (Personnel & Administrative Officer)  
Hahn, Thomas, D. (Accountant)  
Jones, MacArthur C. (Publications Assistant)  
Kirkwood, Karen L. (Research & Administrative Assistant)  
Lawson, Michael (Analyst)  
Lynch, Carolyn D. (Analyst)  
McManus, Kelly (Information Officer)  
McPhaul, Anita J. (Secretary)  
Menchik, Mark D. (Senior Analyst)  
Oakerson, Ronald J. (Assistant Director of Research/Senior Analyst)  
O'Bier, Lori A. (Secretary)  
Phillips, Ruthamae A. (Administrative Assistant)  
Roberts, Jane F. (Assistant Director, Communications  
& Publications)

Ross, Ronald L. (Mail Room Supervisor)  
Sawicky, Max B. (Analyst)  
Smith, Linda M. (Receptionist)  
Steinko, Franklin A. (Budget and Management Officer)

Appendix C

SALARIES AND EXPENSES STATEMENT  
(in thousands)

<u>Object Classification</u>	<u>FY 1986 Actual</u>
Personnel Compensation	\$1,001
Personnel Benefits	125
Travel and Transportation of Persons	87
Transportation of Things	9
Standard Level User Charges	252
Communications, Utilities & Other Rent	100
Printing and Reproduction	65
Other Services	252
Supplies and Materials	41
Equipment	<u>21</u>
<u>Total Obligations</u>	\$1,953

Appendix D

FINANCIAL SUPPORT

ACIR faces a real challenge: for the first time in its 27-year history, we will not be able to rely on congressional appropriations for virtually all of our support. This challenge was presented to us by the congressional appropriations conferees who directed us to obtain significant increases in state contributions. The Congress also approved a new cost-sharing plan that authorizes ACIR to retain the proceeds from the sale of our products. Federal support will dramatically decline from \$1,953,000 for fiscal 1986 to \$ 1,750,000 for fiscal 1987. It is then scheduled to drop to \$1,390,000 for fiscal 1988, and to \$1,040,000 for fiscal 1989.

Belt-tightening Measures

Because we have expected Congressional action along this line for some time, we have been able to take a series of belt-tightening actions to prepare the agency for this cutback in appropriations. For example, several vacancies were not filled and we reduced our rent payments by giving up almost 1,100 square feet of office space. These economies were put in place well before the end of fiscal year 1986 so that we could begin fiscal 1987 at a realistic operating level.

Despite our economies, we want to emphasize that 1986 was a very productive year for us. During 1986, we published 13 reports and two issues of Intergovernmental Perspective, and issued two sets of microcomputer

diskettes. One of the factors that made it possible to maintain, and even to increase, our productivity was the purchase over the past few years of microcomputers for our staff. Now that we have become familiar with the new technology, we have been able to turn out more reports with fewer employees. There are, however, limits to how far we can push automation and other economies.

#### Revenue Raising Measures

In addition to our belt-tightening activities, we also spent a considerable amount of staff time on planning how to diversify and increase our revenues. We have identified and begun to implement several methods of increasing substantially our non-appropriation income: increased state contributions and the sale of publications, microcomputer diskettes, and subscription packages.

\* Increased Contributions from the States. As directed by the appropriations committees, we have increased the amount that the ACIR is requesting each state to contribute. We also have made our request for a larger amount more "palatable" by developing a benefit package that will provide contributing states with sets of microcomputer diskettes and publications whose total market value exceeds their contribution. For each \$1,000 contributed, a state will receive benefits amounting to approximately \$1,300.

\* Sales of Publications. This year, for the first time, the Congress has allowed us to keep the proceeds of the sales of our publications.

For the first 25 years of ACIR's existence, we communicated the ACIR message by free distribution of our publications. Last year, despite the fact that all revenues were returned to the Treasury, we experimented with charging modest prices for our publications. Now that we can use the proceeds of our sales to supplement our appropriation, we intend to capitalize on the experience we gained last year and hope to realize respectable amounts of revenues from our publication sales. As we learn more about marketing our publications, we expect their sale to provide increasing amounts of income.

\* Microcomputer Diskettes. These diskettes play a very important role in our revenue raising plans. In a pioneering effort, the ACIR staff has developed an innovative series of microcomputer diskettes containing fiscal data on state and local governments. These diskettes make it possible for analysts everywhere to access data which previously would have required hours of work to translate to personal computers. The introduction of our first microcomputer diskettes was enthusiastically received and they are selling briskly. We have high hopes for our just released set of 24 diskettes on local governments, and already have received orders for full sets from such diverse sources as academics, investment houses, and bond rating agencies. A third series on our Representative Tax System is under development.

\* Sales of Subscription Packages. To supplement our publication sales, ACIR has developed subscription packages which will enable subscribers

to receive a package of publications and diskettes for a reduced price and without the nuisance of constantly filling out order forms. We believe that our subscription packages will be attractive to local governments, private organizations, libraries and academics which want to keep up with current ACIR information.

These actions should make it clear that we are making every effort to comply with the Congressional cost-sharing directive.

Appendix E

Participants in Welfare Reform Hearings

Washington, D.C., February 5, 1986

Daniel J. Evans, Member of the United States Senate

Leslie Lenkowsky, Institute for Educational Affairs

Thomas Marchant, III, Member of the South Carolina House of Representatives  
(Testifying on behalf of the National Conference of State Legislatures)

Jane Maroney, Member of the Delaware House of Representatives  
(Testifying on behalf of the Council of State Governments)

Jack C. Vowell, Member of the Texas House of Representatives

Bernie Stumbras, Institute for Research on Poverty

Louis Settler, State of Maryland, Department of Budget

Hilda Pemberton, Member of the Prince George's County (Maryland) Council

John Gunther, U.S. Conference of Mayors

William G. Colman, Governmental Affairs Consultant

Richard K. Vedder, Ohio State University

Washington, D.C., April 18, 1986

Michael Castle, Governor of Delaware  
(Testifying on behalf of the National Governor's Association)

Allan Matusow, Rice University

June O'Neill, Civil Rights Commission

John Weicher, American Enterprise Institute

Robert Carleson, Former Special Assistant to President Reagan for Policy Development

Michael Dowling, New York State Department of Social Services

Washington, D.C. June 27, 1986

Blanche Bernstein, Consultant on Social Welfare Policy and former Commissioner of the New York City Human Resources Administration

Michael Banger, Manpower Demonstration Research Corporation

James Swartney, Florida State University

Lee Bawden, Urban Institute

Brian Baxter, American Public Welfare Association

Morton Sklar, former Director of Jobs Watch

Regional Hearings

Testimony was heard from 158 witnesses in the broad categories of welfare rights advocacy groups, welfare recipients, state officials, local officials, and public employee unions.





